MARCH 2024 | PORTFOLIO COMMENTARY

LIBERTY PORTFOLIOS™

REAL INCOME SERIES

ABOUT LIBERTY REAL INCOME SERIES

Liberty Portfolios are comprehensive investment strategies designed to meet the important asset management needs of investors across the key phases of financial planning. The Real Income Series seeks to deliver inflation-adjusted income to investors over the long term through an equity-biased allocation that combines three key components: Investment Allocation, Income Reserve, and Risk Mitigation overlay. The strategy is dynamically managed and designed to help investors navigate four key risks during the income phase of the financial planning journey: longevity, inflation, extreme volatility, and liquidity.

BROAD MARKET OVERVIEW

Global stocks put in a broad-based rally in March and capped off a strong quarter for equity markets. Domestic stocks matched internationals last month, while trends within the U.S. equity market paused; the tech-heavy NASDAQ 100 lagged the S&P 500, and small- and mid-cap stocks outperformed large-caps. The outperformance of domestic value, the average S&P 500 stock, and the Energy and Materials sectors all point to increasing breadth and a more cyclical feel to last month's price action.

Core bond yields were relatively flat in the fixed income market and traded within well-worn ranges during the month. Bond volatility fell meaningfully in March, with the MOVE Index (which measures volatility for bonds) closing at levels last seen before the Fed's tightening cycle in early 2022. Lower bond volatility led to tighter spreads for corporate credit, mortgages, and emerging market bonds, and coupled with the modest moves in government yields, led to the first positive month of total returns for core bonds this year. The dollar firmed slightly in March, while crude oil futures added to their three-month up-trend by gaining over 6%.

POSITIONING HIGHLIGHTS

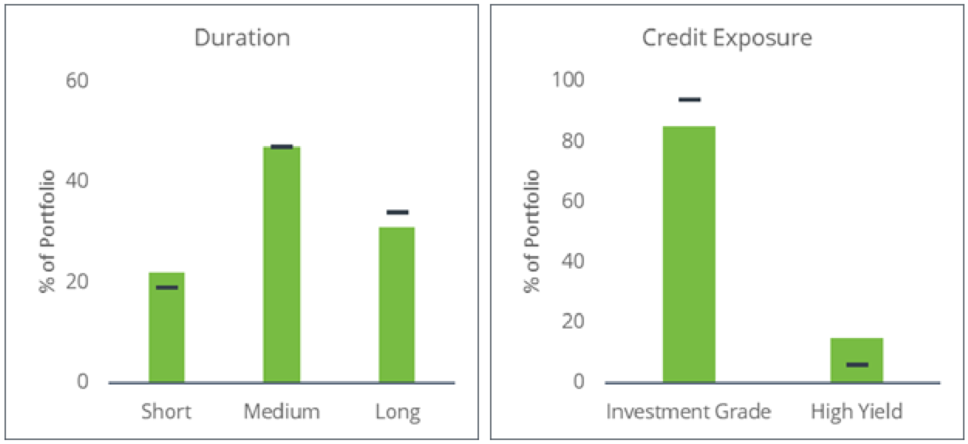
EQUITY

Not illustrative of any account. For illustrative purposes only.

Last Reallocation: November 2023

- Increased overall domestic exposure, especially to higher quality parts of the market at the expense of more cyclical value, dividend, and international allocations
- Decreased direct defensive exposures to the low volatility factor both within the U.S. and internationally

FIXED INCOME



Not illustrative of any account. For illustrative purposes only.

Last Reallocation: September 2023

- Lowered overall interest rate exposure
- Raised portfolio yield by increasing high-yield corporate credit exposure at the expense of investment-grade corporate allocations

CONTRIBUTORS

The equity portfolio's most significant March performance contributors were broad international developed markets and domestic large-cap value.

On the fixed-income side, long-term investment-grade corporate credit contributed the most to performance last month.

DETRACTORS

Last month's biggest detractors to performance in the equity portfolio were emerging markets and domestic large-cap low-volatility factor exposure.

In the fixed-income portfolio, intermediate-term investment grade corporate credit contributed the least to returns in March.

PORTFOLIO OUTLOOK

Back-to-back quarters of double-digit gains for the S&P 500 have left many investors channeling the Talking Heads, asking, “Well, how did I get here?” That is especially true with short-term interest rates still above 5% and the much-forecasted recession yet to materialize. We believe this can be attributed to employed consumers with healthy balance sheets propelling economic growth. This dynamic supports corporate earnings and market sentiment, even if interest rates are more elevated than we became accustomed to in the 2010s. This positive but selective outlook has generally performed well in the recent market action, and we see little to change our thinking as the second quarter begins. In the coming weeks, our focus turns to earnings season; fresh company-specific data will supplement our analysis of the incoming macro data. Looking ahead, short-term market volatility would not surprise us, but it may also uncover opportunities across different slices of the equity and fixed income landscape.